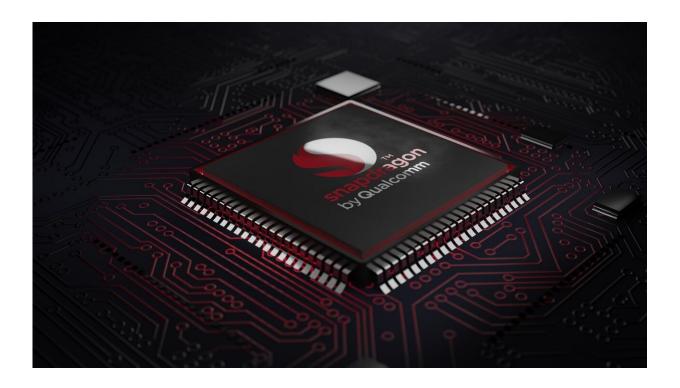


Qualcomm's latest quarter is strong, but its outlook spooks investors

July 28 2022, by Mike Freeman



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Qualcomm sidestepped the worst of global economic headwinds during its fiscal third quarter, posting better-than-expected financial results thanks to continued diversification of its mobile technologies beyond smartphones.

But San Diego's largest publicly traded company doesn't expect to be



able to dodge global economic woes forever. With <u>inflation</u> and lingering pandemic measures weighing on <u>consumers</u>, Qualcomm on Wednesday forecast upcoming fourth quarter <u>financial results</u> that were below Wall Street analysts' expectations.

Investors were watching Qualcomm results closely for signs of a recovery amid mixed results from other semiconductor companies this earnings season. But Qualcomm's softer-than-expected guidance didn't give them what they wanted, and the company's <u>share</u> price dipped nearly 4 percent in extended trading Wednesday afternoon.

"With the combination of the macro-economic environment and China (COVID) lockdowns, we did see that the market is likely to be smaller than we originally forecast," said Chief Executive Cristiano Amon in a conference call with analysts. "But on the positive side, I think our strategy of being focused on the premium and high tiers is proving to be a resilient one. The weakness we saw was in the mid- to low tiers. The premium tier remained resilient."

Qualcomm designs mobile processes that power many Android smartphones worldwide. It also provides 5G cellular modem chips for iPhones. In its fiscal third quarter ended June 30, the company reported revenue of \$10.93 billion, up 36 percent year over year. Adjusted earnings jumped 53 percent to \$3.4 billion—or \$2.96 per share.

Wall Street analysts were expecting revenue of \$10.89 billion and adjusted earnings of \$2.86 per share for the third quarter.

Despite beating forecasts in the recent quarter, Qualcomm's guidance for what's usually a seasonally strong fourth quarter wasn't as rosy. Revenue is estimated around \$11.4 billion. Adjusted earnings are expected to come in around \$3.15 per share.



Analysts were predicting fourth quarter revenue of \$11.92 billion and adjusted earnings of \$3.30 per share.

With consumers feeling pressure, Qualcomm cut its full-year 5G smartphone sales forecast to 650 million to 700 million devices worldwide. Previously, the company forecast 5G handset sales would reach 750 million.

Even so, Amon told analysts that Qualcomm's projected fourth-quarter results would mark a 24 percent improvement in earnings per share over the same quarter last year.

"Consistent with what has been the conversation throughout this earnings season, any consumer weakness has been offset by strength in industrial and enterprise," he said.

Qualcomm's Internet of Things and automotive sales for the third quarter came in at \$1.8 billion and \$350 million respectively, both records. The company's automotive pipeline now totals \$19 billion across a range of products from the digital cockpit chips to autonomous driving technologies.

In addition, the company continues to gain <u>market share</u> with Samsung. Qualcomm corralled about 75 percent the processor volume for Samsung's Galaxy S22 smartphones—up from about 40 percent in the Galaxy S21, said Amon.

"Now we are announcing a multi-year agreement to power the Galaxy smartphones globally," he added, with providing specifics.

The companies also extended their patent licensing agreement, which was set to expire next year, to 2030 under the same terms.



Qualcomm released results after markets closed. It shares ended the day at \$153.42 but dipped to \$147.55 in extended trading on the Nasdaq exchange.

"We now have approximately 75 percent the premium tier processor volume for Samsung's Galaxy S-22 smartphones, up from about 40 percent in the Galaxy S-21," said Chief Executive Cristiano Amon in a conference call with analysts. "Samsung's strategy to adopt Qualcomm for the majority of its volume is significant. It validates our platform leadership, as well as consumer preference for the Snapdragon brand."

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Citation: Qualcomm's latest quarter is strong, but its outlook spooks investors (2022, July 28) retrieved 18 April 2024 from

https://techxplore.com/news/2022-07-qualcomm-latest-quarter-strong-outlook.html

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